No. 12403

IN THE

United States Court of Appeals

FOR THE NINTH CIRCUIT

William J. Dubil, Edward J. Hubik and Earl F. Shores,

Appellants,

vs.

Rayford Camp & Co., and Rayford Camp,

Appellees.

BRIEF OF APPELLEE.

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TOPICAL INDEX

PAGE

A. Introduction 1

B. The issues 2

C. The District Court properly awarded appellee its attorneys' fees and costs 3

1. The patent in suit was obtained by appellants by fraud on the patent office 3

2. Appellants have repeatedly used their fraudulently obtained patent to harass the public 4

3. The action was brought without probable cause and the trial unreasonably prolonged 5

4. The attorneys' fees and costs were not excessive 7

D. Jurisdiction as to the unfair competition should be affirmed.. 10

1. Appellants unjustifiably attempt to change their position on the jurisdiction issue 10

2. The jurisdiction question is not properly appealable.... 11

3. No prejudice has resulted to appellants as a result of the District Court sustaining its own jurisdiction 12

4. The trial court had jurisdiction as to the unfair competition questions 13

E. Conclusion 15

TABLE OF AUTHORITIES CITED

Cases.

PAGE

Blanc v. Sparton Tool Co., 168 F. 2d 296 8

Carlisle Packing Co. v. Sandanger, 259 U. S. 255, 42 S. Ct. 475, 66 L. Ed. 927 13

Cochran v. M. & M. Transp. Co., 110 F. 2d 519 12

Drilling & Exploration Corp. v. Webster, 69 F. 2d 416 9

First National Bank of Decatur v. Home Savings Bank, 88 U. S. 294, 22 L. Ed. 560 13

Foster & Kleiser Co. v. Special Site Sign Co., 85 F. 2d 742 11

Galloway v. General Motors Acceptance Corp., 106 F. 2d 466 12

Guarantee Co. of North America v. Phenix Ins. Co. of Brooklyn, 124 Fed. 170 12

Harding v. Federal Nat. Bank, 31 F. 2d 914 12

Houchlin Sales Co. v. Angert, 11 F. 2d 115 12

Juniper Mills, Inc. v. J. W. Landenberger & Co., 76 U. S. P. Q. 300 6

Lancaster v. Collins, 115 U. S. 222, 29 L. Ed. 373 13

Olsen v. Jacklowitz, 74 F. 2d 718 12

Precision Instrument Mfg. Co. v. Automotive Maintenance Mach. Co., 324 U. S. 806, 65 S. Ct. 993, 89 L. Ed. 1381 4

Sacramento Suburban Fruit Lands Co. v. Melin, 36 F. 2d 907 11

Saulsbury Oil Co. v. Phillips Petroleum Co., 142 F. 2d 27 11

Sheldon v. Metro-Goldwyn Pictures Corp., 106 F. 2d 45 9

Strauss v. Victor Talking Machine Co., 297 Fed. 791 9

William H. Rankin Co. v. Associated Bill Posters, 42 F. 2d 152 9

Wilson Co. v. Third Nat. Bank, 103 U. S. 770, 26 L. Ed. 488 13

Statutes

United States Code, Title 28, Sec. 1338(b) 13

United States Code, Title 28, Sec. 2111 13

United States Code, Title 35, Sec. 70 4

Textbooks

4 Corpus Juris Secundum, Sec. 183, pp. 359-361 12

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BRIEF OF APPELLEE.

A. Introduction.

This is the answer of appellee to "Appellants' Brief."

Appellants were plaintiffs in the District Court. Their complaint charged: (a) patent infringement [R. 3-4]; and (b) trade-mark infringement and unfair competition [R. 5-7].

The District Court held the patent invalid for numerous reasons [Findings VIII-XIV, R. 132-137], held that appellants' trade-mark in suit was invalid, and that appellee was not guilty of any unfair competition [Findings XIX-XXXI, R. 138-143], and dismissed the complaint [R. 148].

No appeal is taken by appellant from any of these fundamental rulings of the District Court going to the merits

of the case. Appellants, therefore, concede the propriety of the District Court's judgment on the issues presented to it by appellants and decided adversely to them.

Upon finding for appellee on every point, the District Court awarded to appellee attorneys' fee and costs, and it is as to this award that appellants' appeal is chiefly directed. Appellants also challenge the jurisdiction of the District Court to try the unfair competition issues proferred by the complaint, which were tried at appellants' insistence. Having failed in their charge of unfair competition after an extended trial, appellants after their notice of appeal [R. 155] for the first time question the jurisdiction of the District Court to try such issue.

In view of the outcome of the case on its merits in the trial court, and the tactics of appellants, we are confident that this Court will look with little favor on this appeal.

B. The Issues.

Only the following issues are raised by this appeal:

(a) Did the District Court abuse its discretion in awarding to appellee attorneys' fees and costs?

(b) Can appellants on this appeal properly reverse the position they took in the trial court and for the first time contend that there was no jurisdiction as to the unfair competition issues tried at their insistence?

(c) Is there any appealable question as to jurisdiction presented by this appeal?

(d) Did the District Court actually have jurisdiction over the unfair competition issues presented by appellants' complaint?

These issues are discussed briefly hereinafter.

Appellants' Brief discusses many matters not shown by the record on appeal, and matters which we believe are irrelevant to the issues raised or not deserving comment by us. Our refusal to burden the Court by laboring such matters should not be construed as an admission of any of appellant's assertions not specifically referred to herein.

C. The District Court Properly Awarded Appellee Its Attorneys' Fees and Costs.

1. The Patent in Suit Was Obtained by Appellants by Fraud on the Patent Office.

As its Conclusion of Law VII, the District Court concluded as follows:

> "United States Letters Patent No. 2,052,221, in suit, and each of the claims thereof, is invalid and void for the reason that said patent was granted by the United States Patent Office upon material misrepresentations made to said Office to induce the issuance thereof." [R. 145.]

The foregoing conclusion of law is fully supported by Finding of Fact XIV [R. 136-137], which clearly establishes that appellants Dubil and Hubik knowingly made false representations to the United States Patent Office to secure the issuance of the patent in suit. Finding of Fact XIV also establishes that appellants' present attorney was the instrument by which such misrepresentations were made to the Patent Office.

No appeal has been taken by appellants from Finding of Fact XIV or Conclusion of Law VII. This is an admission by appellants of the facts found. It is highly significant because it confirms the District Court's finding that appellants (at least, Dubil and Hubik, the patentees)

knew when this suit was filed that the patent sued upon had been obtained by fraud.

In view of such admitted fraud upon the Patent Office, we are surprised that appellants would attempt to argue to this Court that there were no unusual circumstances in this case justifying the award of attorneys' fees and costs. This case obviously never should have been filed or prosecuted, and appellants knew it. If deliberate fraud upon the Patent Office in the obtaining of a patent is not a circumstance justifying the award of an attorney's fee to a persecuted defendant, Section 70, Title 35, U. S. C. has no meaning.

Fraud in the procurement of a patent has always been especially condemned by the courts.

See:

> *Precision Instrument Mfg. Co. v. Automotive Maintenance Mach. Co.*, 324 U. S. 806, 65 S. Ct. 993, 89 L. Ed. 1381, at 1387 (1944).

Appellee submits that the award of attorneys' fees and costs should be affirmed alone upon the ground that fraud in obtaining the patent in suit constitutes a very unusual and reprehensible circumstance in this case fully justifying such award.

2. Appellants Have Repeatedly Used Their Fraudulently Obtained Patent to Harass the Public.

This is the latest of a number of suits filed by appellants against others charging infringement of the fraudulently obtained patent in suit.

The record shows a prior infringement suit by appellants Dubil and Hubik on this same void patent against Landau

and Levy, also in the Southern District of California [R. 166-180, 189-190]. In that case, a consent decree was taken against the defendant Landau [R. 171] and the Court held that the defendant Levy had not infringed the patent [R. 166].

Subsequent to the action against Landau and Levy, appellants Dubil and Hubik brought four other infringement actions on the fraudulently obtained patent in suit against miscellaneous defendants, all of which were dismissed, one being dismissed with prejudice, as is shown by the file-wrapper of the patent in suit, Defendant's Exhibit E in evidence.

This course of past conduct by appellants Dubil and Hubik against the public upon a patent which they knew was fraudulently obtained plainly shows their bad faith in prosecuting the present action. This is a further unusual circumstance in the present action. It is submitted that the award of attorneys' fees and costs to appellee should be affirmed upon this ground alone.

3. The Action Was Brought Without Probable Cause and the Trial Unreasonably Prolonged.

The District Court in its Finding of Fact XXXII found as follows:

> ". . . The plaintiffs did not have justifiable cause for filing or prosecuting this action, and trial of this action was unreasonably prolonged by plaintiffs. . . ."

Since the appellants concede that the patent in suit was obtained by fraud, obviously the evidence fully supports this finding as to the lack of probable cause for filing or prosecuting this action. The fact that appellants have

taken no appeal on the merits of this action further confirms their lack of cause in filing or prosecuting it. Even if the appellants had any reason to believe that the patent in suit was valid, this would not avoid the award of attorneys' fees and costs to appellee, as any "unfair, oppressive or fraudulent conduct on the part of the losing party" may justify such an award, as stated in *Juniper Mills, Inc. v. J. W. Landenberger & Co.,* 76 U. S. P. Q. 300 (D. C. Pa. 1948).

As to the fact that the trial was unreasonably prolonged by appellants, the District Judge who sat at the trial and heard the appellants' presentation of the case would be the best judge of this. The record of the trial proceedings is not before the Court on this appeal and, accordingly, it is submitted that there is no evidence before this Court even tending to show that the District Court's finding is not correct. It is to be noted, however, that although prior to trial appellants' counsel represented on several different occasions and separately to District Judges McCormick and Yankwich that this case would take only two to three days to try in its entirety, appellants actually consumed six days of trial time in their presentation alone. Obviously, there were good grounds for finding that the trial had been unreasonably prolonged by appellants.

It is respectfully submitted that upon these grounds alone the award of attorneys' fees and costs should be affirmed.

4. **The Attorneys' Fees and Costs Were Not Excessive.**

The District Court's opinion initially awarded appellee the sum of $20,000.00 as attorneys' fees and costs [R 106]. Appellants then made an extensive showing, objections, and argument (making substantially the same contentions which they now make to this Court) to the District Court to induce it to reduce the amount of the award [R. 106-125, 164]. As a result, the District Court by its Judgment awarded attorneys' fees and costs in the sum of only $15,000.00 [R. 148], but in its Finding of Fact XXXII still found that $20,000.00 would be a reasonable sum [R. 143]. Hence, the District Court reduced the amount actually awarded very substantially below what it found would be a reasonable sum.

Although only a small portion of the record and proceedings in this case is before this Court on this appeal, the record on appeal and particularly the docket entries [R. 158-165] indicate the very extensive and time-consuming proceedings had before the District Court and the extensive preparation required therefor of appellee's three counsel. Although not shown by the record, appellee actually incurred prior to this appeal attorneys' fees in excess of $15,000.00 in the defense of this action, and in addition incurred expenses and costs in excess of $2,-500.00. Actually, the award to appellee is far less than this case cost him prior to this appeal. Furthermore, on this appeal appellee has incurred additional attorneys' fees to date of almost $1,000.00. The attorneys' fees and costs awarded will not nearly compensate appellee for his defense of this baseless action brought upon a patent obtained by fraud. While it is appellee's position that the

award made by the District Court was within its sound discretion and should not be disturbed here, if this Court is to substitute its discretion for that of the District Court, the award should be increased to the $20,000.00 which the District Court in its Finding XXXII [R. 143] found to be reasonable.

Since the District Court found that the attorneys' fees and costs awarded were reasonable, and since the evidence before this Court tends to establish this, and since there is no *evidence* to the contrary, and since the District Court's finding should not be overturned in the absence of clear and convincing evidence to the contrary, the award to appellee should not be disturbed.

Under the law, the award of attorneys' fees is discretionary with the trial court, and should not be disturbed in the absence of a clear abuse of discretion. The rule was stated by the Court of Appeals for the Seventh Circuit in *Blanc v. Sparton Tool Co.*, 168 F. 2d 296, as follows:

> "Under 35 U. S. C. A. §70 the court may in its discretion award reasonable attorneys' fees to the prevailing party. But plaintiff argues that it was not contemplated that the recovery of attorneys' fees become 'an ordinary thing in patent suits,' and cites Lincoln Electric Co. v. Linde Air Products Co., D. C., 74 F. Supp. 293, 294, in which the court denied fees because the case 'presents a situation which is not unusual in patent matters'. We think it clear that under the statute the question is one of discretion. The court exercised its discretion and that ends the matter unless we can say as a matter of law that there was a clear abuse of discretion. This we cannot say."

This Court in approving a substantial award said in *Drilling & Exploration Corp. v. Webster*, 69 F. 2d 416 (C. C. A. 9, 1934), at 418:

> "The law is well settled that allowances to receivers and attorneys are within the sound discretion of the trial court, and 'appellate courts are not much inclined to interfere with the exercise of this discretionary power of courts of first instance. The lower court ordinarily has better knowledge of the controlling circumstances than an appellate tribunal can have.' Eames v. H. B. Claflin Co. (C. C. A.) 231 F. 693, 696."

The award of attorneys' fees in amounts considerably larger than in the instant case have been approved as a proper exercise of judicial discretion in many instances in various types of actions in which such awards are permitted to the prevailing party. For example, see *Strauss v. Victor Talking Machine Co.*, 297 Fed. 791 (C. C. A. 2, 1924), where a fee of $30,000 was approved; *William H. Rankin Co. v. Associated Bill Posters*, 42 F. 2d 152 (C. C. A. 2, 1930), approving a $42,500 award of attorneys' fees; *Sheldon v. Metro-Goldwyn Pictures Corp.*, 106 F. 2d 45 (C. C. A. 2, 1939), $33,000 in attorneys' fees in a copyright infringement suit.

In view of the fact that this action has been prosecuted by appellants on a fraudulently obtained patent, in view of the many prior cases filed by these appellants against others on this same patent, in view of the undue prolongation of the trial and the other special circumstances stated above, and in view of the obviously vast amount of work required of appellee's counsel in preparation and trial, it is submitted that the attorneys' fees and costs awarded to appellee was a proper exercise of discretion of the trial court.

D. Jurisdiction as to the Unfair Competition Should Be Affirmed.

1. Appellants Unjustifiably Attempt to Change Their Position on the Jurisdiction Issue.

Appellants having filed and prosecuted this case for trade-mark infringement and unfair competition, and having obtained an order from the District Court sustaining its jurisdiction to do so, and having *lost the case on the merits,* now attempt to change their position and attack the jurisdiction of the District Court. This, we respectfully submit, violates every principle of fair dealing and, indeed, suggests a flagrant and irresponsible abuse of process of the Federal Courts. It is an illustration of the type of tactics with which the defendant-appellee has had to contend throughout this action.

In the second cause of action, the complaint charged trade-mark infringement and unfair competition [R. 5-7]. Defendant-appellee moved to dismiss for lack of jurisdiction [R. 8]. This was strenuously opposed by plaintiffs-appellants [R. 9-16], and after argument in open court the District Court held for plaintiffs-appellants that it had such jurisdiction and denied defendant-appellee's motion [R. 9]. The case was tried on this state of facts, and plaintiffs-appellants presented extensive evidence on the trade-mark and unfair competition questions.

Not until after appellants had lost this case on the merits, and not until after the notice of appeal [R. 155] was filed, did appellants even intimate that they would attack the jurisdiction of the trial court to hear the unfair competition issues. So long as appellants were before the trial court they carefully refrained from raising such issue. We suggest that had appellants been successful

on the unfair competition issues in the trial court, we would find them now vigorously defending its jurisdiction.

It is axiomatic in the law that where a party has adopted a position in a lawsuit and the case has been fully tried and determined in accordance with the party's theory, the party cannot, to suit his own convenience and purposes, attempt to reverse his position upon appeal in the appellate court.

See:

Sacramento Suburban Fruit Lands Co. v. Melin, 36 F. 2d 907 (C. C. A. 9th 1929);

Foster & Kleiser Co. v. Special Site Sign Co., 85 F. 2d 742, 751 (C. C. A. 9th 1936);

Saulsbury Oil Co. v. Phillips Petroleum Co., 142 F. 2d 27, 34 (C. C. A. 10th 1944).

It is therefore submitted that under the facts and law appellants have no standing before this Court on the jurisdiction issue, and that their appeal as to this issue should be summarily dismissed.

2. The Jurisdiction Question Is Not Properly Appealable.

The District Court's order sustaining its jurisdiction over the trade-mark and unfair competition issues [R. 9] was sought by appellants [R. 9-16] and was wholly favorable to them. It was merged in Conclusion of Law I [R. 144].

It is elementary in the law that a party may not appeal from a judgment, order, or portion thereof favorable to himself.

See:

Cochran v. M. & M. Transp. Co., 110 F. 2d 519 (C. C. A. 1, 1940);

Guarantee Co. of North America v. Phenix Ins. Co. of Brooklyn, 124 Fed. 170 (C. C. A. 8, 1903);

Galloway v. General Motors Acceptance Corp., 106 F. 2d 466 (C. C. A. 4, 1939);

Harding v. Federal Nat. Bank, 31 F. 2d 914 (C. C. A. 1, 1929);

Olsen v. Jacklowitz, 74 F. 2d 718 (C. C. A. 2, 1935);

Houchin Sales Co. v. Angert, 11 F. 2d 115 (C. C. A. 8, 1926);

4 Corpus Juris Secundum, Appeal and Error, §183, pp. 359, 360, 361.

It is therefore submitted that the jurisdiction question was not appealable by appellants, and that there is nothing properly before this Court in connection therewith.

3. No Prejudice Has Resulted to Appellants as a Result of the District Court Sustaining Its Own Jurisdiction.

The complaint in this action has been dismissed by the District Court [Judgment V, R. 148]. Appellants, by their appeal on the jurisdictional question, simply ask that the complaint be dismissed on grounds other than those relied upon by the District Court. Dismissal is the result in any event. Obviously, appellants have not been prejudiced by the District Court's action in sustaining its jurisdiction, which appellants themselves sought.

It is well established that a judgment, order, or portion thereof, will not be reversed by an appellate court where no prejudice to the appellant has resulted.

See:

Section 2111, Title 28, U. S. C.;

First National Bank of Decatur v. Home Savings Bank., 88 U. S. 294, 22 L. Ed. 560 (1874);

Wilson Co. v. Third Nat. Bank, 103 U. S. 770, 26 L. Ed. 488 (1880);

Lancaster v. Collins, 115 U. S. 222, 29 L. Ed. 373 (1885);

Carlisle Packing Co. v. Sandanger, 259 U. S. 255, 42 S. Ct. 475, 66 L. Ed. 927 (1921).

4. The Trial Court Had Jurisdiction as to the Unfair Competition Questions.

The District Court heard the evidence, and concluded that it had jurisdiction of the subject matter [R. 144]. The transcript of the trial is not before this Court and hence there is no factual showing upon which a contrary conclusion could be drawn.

The relevant statutory provision conferring jurisdiction is Section 1338(b) of Title 28, U. S. C., as follows:

> "(b) The district courts shall have original jurisdiction of any civil action asserting a claim of unfair competition when joined with a substantial and related claim under the copyright, patent or trade-mark laws."

Appellants admitted (and urged) before the District Court that their claim for unfair competition was "related" to the claim for patent infringement, as follows:

> "The element of unfair competition arises not merely because of the palming off by the defendants of their goods for that of the plaintiffs, but basically stems from the unlawful use by the defendants of the patented process of the plaintiffs . . ." [R. 12.]

. . . .

"Activities resulting in unfair competition are not necessarily confined to display and sale of the product to the public but entails numerous consecutive acts from the inception to fulfillment of the unlawful purpose. One such act is the appropriation by the defendants of the process patented by the plaintiffs." [R. 12.]

. . . .

". . . The sale of the infringing product of the patent process is not to be disregarded in determination of the element of unfair competition. Such element constitutes a basis and ground for the cause of action and should be accorded consideration in view of the surrounding circumstances." [R. 13-14.]

. . . .

". . . The cause of action presented in the complaint is unquestionably and admittedly one of federal jurisdiction under the patent laws of the United States. The element of unfair competition as evidenced by the infringement of the State trade-mark registration is an integral part of the cause of action . . ." [R. 15.]

. . . .

"Therefore, a single cause of action is believed established in this case, since the sales of steaks made in infringement of the patent in suit is not only the basis for determining the amount of damages due the plaintiffs for infringement, but also are the identical sales that are complained of in the second count under unfair competition." [R. 16.]

In view of appellants' admissions, *supra,* supporting the finding of jurisdiction, and the lack of any evidence to the contrary, the judgment should be affirmed.

E. Conclusion.

It is submitted that there is no substance whatever to the issues raised by appellants.

The award of attorneys' fees is plainly perfectly proper. The circumstances in this case are unusual, if not shocking. The patent in suit was obtained by fraud on the Patent Office. Appellants obviously have made a regular practice of suing on this fraudulently obtained patent. Appellants filed this action without probable cause, and unreasonably prolonged the trial. The District Court found that the amount of attorneys' fees was reasonable, and reduced it materially after a full presentation of argument thereon by appellants. Obviously, the District Court acted properly in its discretion in allowing the award in view of the unusual, oppressive, and unfair circumstances of the case.

Appellants come with poor grace in raising the jurisdictional issue. After a full trial on the merits on the unfair competition questions at their insistence, they now assert that after all the court really did not have jurisdiction. This is a sample of appellants' tactics throughout the case and plainly indicates why the District Court awarded substantial attorneys' fees. Appellants obtained the ruling that the District Court had jurisdiction, and cannot now appeal from that ruling in their favor. The case having been dismissed on the merits, the appellants were not prejudiced by the jurisdictional ruling, as the result is the same. Finally, there is no evidence to show

any lack of jurisdiction, and the evidence actually here on appeal confirms the fact that the District Court had jurisdiction.

It is respectfully submitted that the judgment should be affirmed, and that costs and attorneys' fees on this appeal should be allowed to appellee in view of the conduct of appellants in prosecuting this appeal.

Respectfully submitted,

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